

IMPERIAL OIL LIMITED

PROPRIETARY

Detailed Issue Summary GLOBAL WARMING / CLIMATE CHANGE

Overview of Issue

- ☐ Canada contributes only about 2% to global CO₂ emissions from energy use but critics point to Canada's very energy intensive economy (#2 in terms of CO₂/capita; #6 in terms of CO₂/U.S. \$ of GDP).
- ☐ Canada continues to be viewed as a "hawk" on this issue. Federal government made an early commitment to stabilize greenhouse gas emissions -- measures to achieve remain incomplete.
- ☐ Canada committed to stabilizing CO₂ and other greenhouse gas emissions at 1990 levels by the year 2000 at a U.N. conference in Bergen, Norway in May, 1990 / *at recent Council of Canadian Ministers conference, overall agreement to test achievement of Liberal Platform objective of 20% reduction over 1988 by 2005.*
- ☐ Canada signed the Climate Change Convention at the UNCED "Earth Summit" in Rio DeJaneiro in June, 1992:
 - Also reconfirmed target and timetable per the Bergen commitment even though Climate Change Convention less firm (*Bergen commitment aimed at stabilizing emissions while Convention aims at stabilizing concentrations in the atmosphere -- a much more serious/difficult objective requiring potentially as high as 60% reductions in CO₂ emissions levels over 1990*)
 - Tabled a "Quick Start Agenda" with commitments to quickly ratify the convention by year end 1992 and to prepare a national report on emissions and reduction measures planned by June, 1993 -- *Draft National Report issued in October 1993 identifying significant gaps to close on stabilization.*
- ☐ Canada's plans to achieve the stabilization target not yet firm:
 - Federal government's "National Action Strategy on Global Warming" of 1990 proposed a phased, progressive approach, with first steps being those that make sense in their own right (e.g. energy efficiency).
 - Federal government's projections (1990) show CO₂ growth rate of 1.6%/year over 1990 to 2000 period in a "Business as Usual" case:
 - *Most recent forecasts in Draft national Report are for ~ 1.0%/year growth to 2000 reconfirming earlier forecasts on potential gaps.*

<u>CO₂ EMISSIONS</u>				
	<u>STABILIZATION</u>			<u>COMMENTS</u>
	<u>1990</u>	<u>2000</u>	<u>"GAP"</u>	
• "Business as Usual"	461	562	90-100	- GDP growth 2.2%/yr - WTI \$23U.S./B in 2000 (1989\$)
• "Economic" Energy Efficiency Steps applied	461	510	45-50	- Only ~ 50% of gap closed
- Key recommendations of Draft National Report include:				
o Transportation (32% CO ₂)			- transportation demand management practices - alternatives - ride sharing / routing efficiencies - driver education	
o Energy Supply (20% CO ₂)			- demand-side management - co-generation - nuclear & hydro	
o Res/Comm Use (15-18% CO ₂)			- improved energy efficiency	
o Industrial Use (22-25% CO ₂)			- large equipment efficiency - voluntary energy conservation	
(measures very similar to proposed U.S. programs)				
- <u>New National process has been struck</u> to address CO ₂ and other greenhouse gas projections, possible reduction measures and macro-economic consequences -- National Air Issues Coordinating Committee Taskgroup on Global Climate Change (Significant that of all air issues, only climate change taskgroup formed and active at this time)				
- Concern over talk of <u>potentail use of energy tax as replacement for GST in Canada within the Liberal Caucus</u>				

Potential Impact on Imperial/Exxon

- ☐ From a national standpoint, an IOL commissioned macro-economic study by DRI/McGraw Hill showed that very high levels of tax would be required to achieve a CO₂ stabilization target:
 - A carbon tax building up to \$200/tonne of carbon by 2005 could stabilize CO₂ emissions (1/3 reduced economic activity, 1/3 efficiency, 1/3 fuel switching).
 - Reduces Canada's GDP by \$100 billion (real) over 1990 - 2005 period (or 1.1%).
- ☐ Translating the DRI carbon tax impacts to Imperial, for example, might result in a 12% reduction in downstream revenue, equivalent to 940M\$. This ignores any second order effect on margins.

- ☐ Imposition of increased taxes to dampen demand and influence supply mix could increase the relative supply costs of energy intensive/higher carbon content fossil fuels such as oil sands. The DRI tax applied to natural gas fuel would increase bitumen production costs by about \$5/B.

Corporate Position

- ☐ IOL has lobbied for a cautious and flexible response with two major public discussion papers in 1990 and 1991 and extensive discussions with government, thought leaders and the media:
 - Many uncertainties, doesn't warrant drastic steps at this time.
 - Makes little sense to act unilaterally to respond to a global issue.
 - Focus should shift to all greenhouse gases, sources and sinks, not just CO₂ production from energy use.

Basic Strategy/Action Plan

- ☐ Continue to press IOL's well developed and broadly communicated position aimed at limiting non market-driven response steps at this time:
 - Stress relative certainty of the debits to Canada's precarious economy and international competitiveness versus the uncertainty in environmental benefits.
 - Share energy supply/demand outlooks with Energy Mines and Resources.
 - Participate in voluntary industry initiatives to foster economic energy efficiency steps as a best defensive strategy (support revitalization of Canadian Industrial Program for Energy Conservation which was created after the oil price shocks in the 1970's - now called Minister's Advisory Council on Energy Efficiency in Industry)
 - *Direct participation in Energy Industry Taskforce on Climate Change as input to broader national process -- in partnership with industry associations.*

Inter-regional Coordination

- ☐ Continue to co-ordinate outlooks and positions through Exxon's Environment and Safety and Corporate Planning networks.
- ☐ Could benefit from Exxon corporate-wide view on the appropriate emphasis for energy efficiency in business planning and in competition for capital funds.

Environment & Safety Dept.

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General

Issues Overview